

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC 8638

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E.O. 11652: N/A

TAGS: EFIN, PO

SUBJ: PORTUGAL'S INTERNATIONAL CREDIT STANDING

REF: STATE 49717

1. EMBASSY OFFICERS HAVE RECENTLY HAD AN OPPORTUNITY TO DISCUSS REF SUBJECT WITH NUMEROUS AMERICAN BANKERS. ALL OF THEM STATED CATEGORICALLY THAT THE COMPTROLLER OF THE CURRENCY HAS CLASSIFIED PORTUGAL, AND ALL LOANS EXTENDED TO IT, AS A SUB-STANDARD CREDIT RISK. THESE ASSERTIONS ARE IN DIRECT CONFLICT WITH LAST SENTENCE, PARA 3, REFTEL. PRESUMING STATEMENT IN REFTEL IS CORRECT, IT APPEARS COMPTROLLER'S ATTITUDE TOWARD PORTUGAL HAS NOT BEEN ACCURATELY TRANSMITTED TO COMMERCIAL BANKERS. ALTHOUGH THE LARGE AMERICAN INTERNATIONAL BANKS CONTINUE TO EXTEND TRADE FINANCING TO PORTUGAL, THEY INSIST THAT THEY DO SO VIRTUALLY IN CONTRAVENTION OF THE COMPTROLLER'S POLICIES. THIS BELIEF INHIBITS THEM FROM ENLARGING THEIR CREDIT LINES AND, PARTICULARLY, FROM EXTENDING TERM CREDIT. THEY CLAIM ALSO THAT THE REGIONAL BANKS, WHICH SELDOM HAVE EXTENSIVE KNOWLEDGE OF FOREIGN MARKETS AND THUS DEPEND HEAVILY UPON THE COMPTROLLER'S GUIDANCE,

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ARE ESPECIALLY NERVOUS ABOUT LENDING TO PORTUGAL.

2. THE EMBASSY CONCURS THAT THE SUBJECT OF CREDIT RATINGS, SPECIFICALLY GIVEN RECENT CONGRESSIONAL INTEREST, IS A SENSITIVE SUBJECT. ALTHOUGH WE DO NOT BELIEVE THAT THE SUB-STANDARD CLASSIFICATION OF PORTUGAL IS IN THE BROADER INTERESTS OF THE U.S., WE READILY UNDERSTAND THE TECHNICAL GROUNDS UPON WHICH THE COMPTROLLER MIGHT HAVE REACHED SUCH A DECISION. OUR EXPECTATION, HOWEVER, IS THAT ANY SUCH DECISION, ASIDE FROM BEING REVIEWED CONSTANTLY TO INSURE ITS APPROPRIATENESS, WOULD BE AMPLY AND ACCURATELY DISTRIBUTED TO THE BANKING COMMUNITY.

3. EMBASSY WOULD APPRECIATE DEPARTMENT'S COMMENTS ON THE ABOVE, AND ESPECIALLY UPON THE APPARENT DIFFERENCE BETWEEN THE UNDERSTANDING OF U.S. BANKERS AND THE STATEMENT IN PARA 3 REFTEL.
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